



**Press Release**  
**ABC Chemical Exports Private Limited**  
**January 30, 2024**  
**Rating Reaffirmed**

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	5.00	ACUITE BBB   Stable   Reaffirmed	-
Bank Loan Ratings	20.25	-	ACUITE A3+   Reaffirmed
<b>Total Outstanding Quantum (Rs. Cr)</b>	25.25	-	-

**Rating Rationale**

Acuite has reaffirmed its long-term rating of '**ACUITE BBB**' (read as **ACUITE triple B**) and the short-term rating of '**ACUITE A3+**' (read as **ACUITE A three plus**) on the Rs.25.25 crore bank facilities of ABC Chemical Exports Private Limited (ACEPL). The outlook is '**Stable**'.

**Rationale for Rating Reaffirmation**

The rating reaffirmation considers ACEPL's management's long standing experience along with its established track record of operations and geographically diversified business risk profile. Further it takes into consideration the stable operating performance and moderate financial risk profile in FY2023. The operating revenue stood at Rs.384.91 Cr in FY2023 against Rs.390.53 Cr in FY2022. In 9MFY2024, company has recorded revenue of Rs.383.84 Cr. The operating profitability stood range bound at 3.29 percent in FY2023 as against 3.17 percent in FY2022 and 3.30 percent in FY2021. The financial risk profile is moderate with moderate net worth, low gearing and comfortable coverage indicators.

The rating is however constrained on account of moderately intensive working capital operations and low profitability margins on account of trading nature of business.

**About the Company**

Maharashtra based ABC Chemical Exports Private Limited was incorporated in 1997 and is promoted by Mr. Hiroo Thadani and Mr. Vijay Thadani. The company is primarily engaged in trading and exports of pigments, resins chemicals and additives that are used in manufacturing of printing inks, paints, packaging, plastics, textile and rubber. The company has offices India, USA, China, Egypt, UAE, Nigeria and Thailand.

**Unsupported Rating**

Not Applicable

**Analytical Approach**

Acuite has considered the standalone business and financial risk profile of ACEPL to arrive at the rating

**Key Rating Drivers**

**Strengths**

**Extensive experience of the promoters and their established presence in chemical trading segment**

The promoter, Mr. Hiroo Thadani has an extensive experience in the chemical trading segment for more than three decades. He is equally supported by second generation

management comprising of Mr. Vinay Thadani who has experience of around two decades in the industry. The extensive experience of the promoters and established presence in the industry has helped the company to generate healthy relations with various customers and suppliers in both domestic as well as global market. The operating income stood at Rs. 384.91 Cr in FY23 as against Rs.390.53 Cr in FY22. The company has generated a revenue of approx. Rs.383.84 Cr in 9 months period ended December 2023.

Acuité believes that the company will continue to benefit from the promoters' experience and established track record of operations in improving its business risk profile over the medium term.

### **Moderate Financial Risk Profile**

The financial risk profile of the company is moderate marked by moderate net worth, low gearing and comfortable coverage indicators. The tangible net worth of the company improved to Rs. 34.65 Cr. as on March 31, 2023, as against Rs.27.33 Cr. as on March 31, 2022. The improvement in net-worth is primarily due to accretion of profits to reserves. The total debt of the company stood at Rs. 9.26 Cr as on March 31, 2023, which includes Rs. 3.63 Cr of long-term borrowings, Rs. 0.42 Cr of unsecured loans and Rs.5.21 Cr of short-term borrowings. The gearing level of the company remained low at 0.27 times as on March 31, 2023 as against 0.33 times as on March 31, 2022. The TOL/TNW improved to 3.89 times as on March 31, 2023 as against 4.96 times as on March 31, 2022. The Interest Coverage Ratio (ICR) stood at 4.74 times in FY23 as against 5.01 times in FY22. The NCA/TD stood at 0.89 times in FY23 as against 0.92 times in FY22.

Acuité expects the financial risk profile to remain moderate over the medium term in absence of any major debt-funded capex plan.

### **Weaknesses**

#### **Moderately intensive nature of working capital operations.**

The company's working capital operations are moderately intensive in nature. The GCA days stood at 128 days as on March 31, 2023 as against 125 days as on March 31, 2022. The GCA days are driven by high debtor days. The debtor days stood at 116 days as on March 31, 2023 as against 109 days as on March 31, 2022. The company offers credit period of 45-90 days from Bill of lading or LC at sight to its customers depending on the relationship. It obtains credit insurance from ECGC in India and Coface in UAE on all its trades. The inventory days stands low at 1 day as on March 31, 2023 as well in the previous year. The company procures material from market, only after receiving the order from the client and majority of its sale is made on port-to-port basis. Hence, this results in lower price risk and lower inventory levels.

The creditor days stood at 100 days as on March 31, 2023 as against 104 days as on March 31, 2022. The Company's reliance on working capital limits is moderate, marked by utilisation of fund-based limits at ~ 26 % for the last nine months ended September 2023 and non-fund-based limits utilisation at ~81 percent for the same period.

#### **Low profitability margins marked by trading nature of operations**

ACEPL's has lower operating margins mainly on account of trading nature of business and competitive industry limiting the bargaining power with the customer. The operating profit margin stood range bound at 3.29 percent in FY2023 as against 3.17 percent in FY2022 and 3.30 percent in FY2021.

### **Rating Sensitivities**

Improvement in scale of operations and profitability

Elongation of working capital cycle

Deterioration in liquidity position

### **Liquidity Position**

#### **Adequate**

The liquidity of the company is adequate marked by generation of sufficient net cash accruals as against debt repayment obligations. The company generated NCA of Rs. 8.22 Cr. in FY2023 against nominal maturing debt obligations of Rs.0.91 Cr during the same period. Going forward, the net cash accruals are expected to remain in the range of Rs.10.13-11.84 Cr. in FY23-25 as against maturing debt obligations of Rs.0.44-0.52. The GCA days stood

at 128 days as on March 31, 2023. The current ratio of the company stood at 1.20 times as on March 31, 2023 as against 1.14 times as on March 31, 2022 the Company's reliance on working capital limits is moderate, marked by utilisation of fund-based limits at 26 % for the last nine months ended September 2023 and non-fund-based limits utilisation at ~81 percent for the same period.

The cash and bank balance stood at Rs. 12.12 Cr. as on March 31, 2023 as against Rs.11.14 Cr. as on March 31, 2022.

### **Outlook:Stable**

Acuité believes that the company will continue to maintain a 'Stable' outlook over near to medium term owing to its established market position and experienced management. The outlook may be revised to 'Positive' in case the company achieves higher than expected growth in revenues and improvement in profitability margins, working capital management and debt protection metrics. Conversely, the outlook may be revised to 'Negative' in case of a significant decline in revenues and operating profit margins, or deterioration in the capital structure and liquidity position on account of higher-than-expected working capital requirements.

### **Other Factors affecting Rating**

None

## Key Financials

Particulars	Unit	FY 23 (Actual)	FY 22 (Actual)
Operating Income	Rs. Cr.	384.91	390.53
PAT	Rs. Cr.	7.32	7.27
PAT Margin	(%)	1.90	1.86
Total Debt/Tangible Net Worth	Times	0.27	0.36
PBDIT/Interest	Times	4.74	5.01

### Status of non-cooperation with previous CRA (if applicable)

Not Applicable

### Any other information

None

### Applicable Criteria

- Default Recognition :- <https://www.acuite.in/view-rating-criteria-52.htm>
- Trading Entitie: <https://www.acuite.in/view-rating-criteria-61.htm>
- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>

### Note on complexity levels of the rated instrument

In order to inform the investors about complexity of instruments, Acuite has categorized such instruments in three levels: Simple, Complex and Highly Complex. Acuite' s categorisation of the instruments across the three categories is based on factors like variability of the returns to the investors, uncertainty in cash flow patterns, number of counterparties and general understanding of the instrument by the market. It has to be understood that complexity is different from credit risk and even an instrument categorized as 'Simple' can carry high levels of risk. For more details, please refer Rating Criteria "Complexity Level Of Financial Instruments" on [www.acuite.in](http://www.acuite.in).

## Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
02 Nov 2022	Proposed Bank Facility	Short Term	8.00	ACUITE A3+ (Reaffirmed)
	FBN/FBP/FBD/PSFC/FBE	Long Term	5.00	ACUITE BBB   Stable (Reaffirmed)
	Bank Guarantee	Short Term	0.25	ACUITE A3+ (Reaffirmed)
	Letter of Credit	Short Term	12.00	ACUITE A3+ (Reaffirmed)
06 Aug 2021	Bank Guarantee	Short Term	0.25	ACUITE A3+ (Upgraded from ACUITE A3)
	Bills Discounting	Long Term	5.00	ACUITE BBB   Stable (Upgraded from ACUITE BBB-   Stable)
	Letter of Credit	Short Term	12.00	ACUITE A3+ (Upgraded from ACUITE A3)
	Proposed Bank Facility	Short Term	8.00	ACUITE A3+ (Upgraded from ACUITE A3)

## Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Complexity Level	Quantum (Rs. Cr.)	Rating
Bank of Baroda	Not avl. / Not appl.	Bank Guarantee/Letter of Guarantee	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	0.25	ACUITE A3+   Reaffirmed
Bank of Baroda	Not avl. / Not appl.	FBN/FBP/FBD/PSFC/FBE	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	5.00	ACUITE BBB   Stable   Reaffirmed
Bank of Baroda	Not avl. / Not appl.	Letter of Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	12.00	ACUITE A3+   Reaffirmed
Not Applicable	Not avl. / Not appl.	Proposed Short Term Bank Facility	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	8.00	ACUITE A3+   Reaffirmed

## Contacts

Analytical	Rating Desk
Mohit Jain Senior Vice President-Rating Operations Tel: 022-49294017 <a href="mailto:mohit.jain@acuite.in">mohit.jain@acuite.in</a>  Pradeep Singh Senior Analyst-Rating Operations Tel: 022-49294065 <a href="mailto:pradeep.singh@acuite.in">pradeep.singh@acuite.in</a>	Varsha Bist Senior Manager-Rating Operations Tel: 022-49294011 <a href="mailto:rating.desk@acuite.in">rating.desk@acuite.in</a>

### About Acuité Ratings & Research

Acuité is a full-service Credit Rating Agency registered with the Securities & Exchange Board of India (SEBI). The company received RBI Accreditation as an External Credit Assessment Institution (ECAI) for Bank Loan Ratings under BASEL-II norms in the year 2012. Acuité has assigned ratings to various securities, debt instruments and bank facilities of entities spread across the country and across a wide cross section of industries. It has its Registered and Head Office in Kanjurmarg, Mumbai.

**Disclaimer:** An Acuité rating does not constitute an audit of the rated entity and should not be treated as a recommendation or opinion that is intended to substitute for a financial adviser's or investor's independent assessment of whether to buy, sell or hold any security. Ratings assigned by Acuité are based on the data and information provided by the issuer and obtained from other reliable sources. Although reasonable care has been taken to ensure that the data and information is true, Acuité, in particular, makes no representation or warranty, expressed or implied with respect to the adequacy, accuracy or completeness of the information relied upon. Acuité is not responsible for any errors or omissions and especially states that it has no financial liability whatsoever for any direct, indirect or consequential loss of any kind, arising from the use of its ratings. Ratings assigned by Acuité are subject to a process of surveillance which may lead to a revision in ratings as and when the circumstances so warrant. Please visit our website ([www.acuite.in](http://www.acuite.in)) for the latest information on any instrument rated by Acuité. Please visit <https://www.acuite.in/faqs.htm> to refer FAQs on Credit Rating.